

Edgar Filing: ASIAINFO HOLDINGS INC - Form 10-Q

ASIAINFO HOLDINGS INC
Form 10-Q
November 14, 2003

=====

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2003

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____
Commission File Number 001-15713

ASIAINFO HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE 752506390
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

4TH FLOOR, ZHONGDIAN INFORMATION TOWER
6 ZHONGGUANCUN SOUTH STREET, HAIDIAN DISTRICT
BEIJING 100086, CHINA
(Address of principal executive office, including zip code)

+8610 6250 1658
(Registrant's telephone number, including area code)

(Former Name, Former Address and Former Fiscal Year,
if Changed Since Last Report)

Indicate by check mark whether the Registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to
such filing requirements for the past 90 days.

Yes No

The number of shares outstanding of the Registrant's common stock as of
November 11, 2003 was 44,761,698

=====

ASIAINFO HOLDINGS, INC.

Edgar Filing: ASIAINFO HOLDINGS INC - Form 10-Q

FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2003
TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements (unaudited)	3
a) Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2002 and 2003	3
b) Condensed Consolidated Balance Sheets as of December 31, 2002 and September 30, 2003	5
c) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2002 and 2003	6
d) Notes to Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2002 and 2003	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3. Quantitative and Qualitative Disclosures About Market Risk	41
Item 4. Controls and Procedures	41
PART II. OTHER INFORMATION	41
Item 1. Legal Proceedings	41
Item 2. Changes in Securities and Use of Proceeds	42
Item 5. Other Information	43
Item 6. Exhibits and Reports on Form 8-K	43

SIGNATURE

CERTIFICATIONS

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ASIAINFO HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(In US Dollars thousands, except per share amounts)

Three Months Ended

2002

(unaudi

Edgar Filing: ASIAINFO HOLDINGS INC - Form 10-Q

Revenues:	
Network solutions.....	23,171
Software revenue.....	9,400

Total revenues.....	32,571

Cost of revenues:	
Network solutions.....	20,019
Software revenue.....	4,052

Total cost of revenues.....	24,071

Gross profit.....	8,500

Operating expenses:	
Sales and marketing (excluding stock-based compensation: 2002: \$31; 2003: nil and amortization of acquired intangible assets: 2002: \$238; 2003: nil).....	3,082
General and administrative (excluding stock-based compensation: 2002: \$41; 2003: nil and amortization of acquired intangible assets: 2002: \$147; 2003: \$41).....	2,719
Research and development (excluding stock-based compensation: 2002: \$10; 2003: nil and amortization of acquired intangible assets: 2002: \$92; 2003:nil).....	2,097
Amortization of deferred stock compensation.....	82
Amortization of acquired intangible assets.....	477

Total operating expenses.....	8,457

Income from operations.....	43

Other income (expense):	
Interest income.....	523
Interest expense.....	(1)
Other income (expense), net.....	6

Total other income, net.....	528

Income before income taxes, minority interests and equity in loss of affiliate.....	571
Income tax expense	74

Income before minority interests.....	497
Minority interests in income of consolidated subsidiaries.....	73
Equity in loss of affiliate.....	(102)

Net income	\$ 468

Net income per share:	
Basic.....	\$ 0.01

Diluted.....	\$ 0.01

Shares used in computation:	
Basic.....	44,081,170

Diluted.....	44,835,907

See notes to condensed consolidated financial statements.

Edgar Filing: ASIAINFO HOLDINGS INC - Form 10-Q

3

ASIAINFO HOLDINGS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
 (In US Dollars thousands, except per share amounts)

	Nine Months Ended
	----- 2002 ----- (unaudited)
Revenues:	
Network solutions	71,900
Software revenue	25,767

Total revenues	97,667

Cost of revenues:	
Network solutions	55,835
Software revenue	9,006

Total cost of revenues	64,841

Gross profit	32,826

Operating expenses:	
Sales and marketing (excluding stock-based compensation: 2002: \$66; 2003: \$43 and amortization of acquired intangible assets: 2002: \$513; 2003: \$6)	11,460
General and administrative (excluding stock-based compensation: 2002: \$206; 2003: \$51 and amortization of acquired intangible assets: 2002: \$515; 2003: \$122)	7,736
Research and development (excluding stock-based compensation: 2002: \$60; 2003: \$11 and amortization of acquired intangible assets: 2002: \$244; 2003: nil)	6,706
Amortization of deferred stock compensation	332
In-process research and development	350
Impairment of goodwill and acquired intangible assets	--
Amortization of acquired intangible assets	1,272

Total operating expenses	27,856

Income (loss) from operations	4,970

Other income (expense):	
Interest income	1,757
Interest expense	(75)
Other income (expense), net	43

Total other income, net	1,725

Income (loss) before income taxes, minority interests and equity in loss of affiliate	6,695
Income tax expense (benefit)	870

Income (loss) before minority interests	5,825
Minority interests in income (loss) of consolidated subsidiaries	63

Edgar Filing: ASIAINFO HOLDINGS INC - Form 10-Q

Equity in loss of affiliate	(383)

Net income (loss)	\$ 5,505
	=====
Net income (loss) per share:	
Basic	\$ 0.13
	=====
Diluted	\$ 0.12
	=====
Shares used in computation:	
Basic	43,387,643
	=====
Diluted	45,765,340
	=====

See notes to condensed consolidated financial statements.

4

ASIAINFO HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)
(In US Dollars thousands, except per share amounts)

	December 31,

	2002 (1)

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 115,153
Restricted cash	14,458
Short-term investments	11,260
Notes receivable	64
Accounts receivable, trade (net of allowance for doubtful accounts of \$1,133 and \$3,367 at December 31, 2002 and September 30, 2003, respectively)	49,373
Inventories	10,934
Other receivables	8,758
Deferred income taxes - current	1,653
Prepaid expenses and other current assets	3,441

Total current assets	215,094
Property and equipment - net	4,046
Goodwill	37,255
Other acquired intangibles - net	4,031
Investment in affiliate	2,808
Deferred income taxes	196

Total Assets	\$ 263,430
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities:	
Short-term bank loans	\$ 60
Notes payable	2,447

Edgar Filing: ASIAINFO HOLDINGS INC - Form 10-Q

Accounts payable	19,261
Other payables	2,483
Deferred revenue	5,056
Accrued employee benefits	5,083
Other accrued expenses	13,226
Income taxes payable	2,760
Other taxes payable	2,579

Total current liabilities	52,955
Minority interest	317

Stockholders' Equity:	
Common stock, 100,000,000 shares authorized, \$0.01 par value, shares issued and outstanding: 2002: 44,193,474; 2003: 44,711,045	442
Additional paid-in capital	200,649
Deferred stock compensation	(105)
Retained earnings (accumulated deficit)	9,110
Accumulated other comprehensive income	62

Total stockholders' equity	210,158

Total Liabilities and Stockholders' Equity	\$ 263,430
	=====
